

VZCZCXYZ0001
RR RUEHWEB

DE RUEHAC #1040/01 2861554
ZNR UUUUU ZZH
R 131554Z OCT 06
FM AMEMBASSY ASUNCION
TO RUEHC/SECSTATE WASHDC 4905
INFO RUCNMR/MERCOSUR COLLECTIVE
RUMIAAA/USCINCSO MIAMI FL//SCJ3/SCJ33/SCJ34/SOCSO LNO//
RHEHNSC/WHITE HOUSE NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC

UNCLAS ASUNCION 001040

SIPDIS

SIPDIS
SENSITIVE

STATE FOR WHA/BSC, INL/LP (JIM HIDES), AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

E.O. 12958: N/A

TAGS: [PHUM](#) [PGOV](#) [PREL](#) [KCRM](#) [SNAR](#) [ECON](#) [ETRD](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, OCTOBER 7
- 13, 2006

1. (U) SUMMARY

- Remittances Hit USD 650 Million
- Paraguayan Export Share to US the Lowest in the Region
- SENAD Money Approved
- Paraguay's Securities Exchange Growing

REMITTANCES HIT USD 650 MILLION

1.2. (U) The InterAmerican Development Bank (IDB) announced this week that Paraguay will receive USD 650 million in remittances for 2006, or roughly 8 percent of GDP. Seventy-five (75) percent of these remittances are sent from Paraguayans living in Europe (principally Spain, France and Italy) and Argentina, with 15 percent coming from the United States. While IDB's survey showed that Paraguayans, like many remittance receivers throughout the region, use the money to meet basic family needs, it indicated that remittances in Paraguay are used more frequently for savings and investment (e.g. starting a business) than is the case in other countries. Despite Paraguay's clear persistent poverty, survey results also suggested more optimism here, with half of the respondents indicating their family's economic situation was either "excellent or good" (or maybe Paraguayans just have a lower standard for what is an acceptable economic situation). In Peru and Bolivia, by comparison, only 15 percent of respondents were satisfied with their economic situations in similar IDB surveys.

PARAGUAYAN EXPORT SHARE TO US THE LOWEST IN THE REGION

1.3. (U) According to data from the UN's Economic Commission for Latin American and the Caribbean (ECLAC), Paraguay's exports to the US as a share of total exports were the region's lowest in 2005 at 3.2 percent. Only Cuba, with zero exports, was lower. The data, reported by a local newspaper, considered CARICOM countries as a unit. Paraguay's 2005 exports to the US amounted to approximately USD 54 million. Products exported to the US included organic sugar, wood moldings, and other non-traditional export

products. In 2005, Paraguay ran a negative trade balance with the US of USD 774 million, while its worldwide trade balance was a negative USD 1.564 billion.

SENAD MONEY APPROVED

¶4. (SBU) The Paraguayan Senate approved October 12 supplementary funding for the hiring of 50 new anti-drug (SENAD) agents. This decision will allow SENAD to deploy upwards of 25 agents to its new (INL and DEA supported) office in Pedro Juan Caballero. It also creates a basis upon which SENAD can ask for more funds in its 2007 budget. Opposition Senators told the press it would be a mistake to conclude their approval of supplementary funding for some 15 items on the President's list (including the SENAD agents) signals a reconciliation with the Duarte administration. Rather, they maintained the decision devolved from their commitment to SENAD as one of the most effective institutions in the country and their concern that if they broke out funding for SENAD from the package it would have had to go back to the House of Deputies for a lengthy, potentially problematic reconsideration process.

PARAGUAY,S SECURITIES EXCHANGE GROWING

¶5. (U) Paraguay,s securities exchange, BVPASA, inaugurated new facilities and celebrated its 13th anniversary on October ¶11. The Inter-American Development Bank (IDB) donated USD 80,000 to the exchange so it could purchase the software for a trading system used in Argentina. The grant supports the IDB,s business climate objectives in Paraguay. As of end-2005, BVPASA had 54 listed companies with a total market capitalization of about USD 272 million. Most trading involves fixed income securities, though, which total about US 617,000 in local currency securities and USD 11.2 million

in dollar-denominated securities. While a tiny market, it has been growing rapidly: its owners, the IDB and the securities regulator hope the market will gain greater acceptance and provide an effective source of financing for Paraguay,s business sector. BVPASA has entered into a cooperated agreement with the futures exchange in Rosario, Argentina, and eventually plans to offer trading in futures and other derivatives.

CASON